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**FISCAL IMPACT STATEMENT**

**LS 7733**

**BILL NUMBER:** HB 1496

**NOTE PREPARED:** Jan 12, 2007

**BILL AMENDED:**

**SUBJECT:** Renewable Energy Resources.

**FIRST AUTHOR:** Rep. Grubb

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Indiana Utility Regulatory Commission (IURC) to consider certain expenditures related to ethanol construction projects in the rate base of certain public utilities. The bill also permits an electricity supplier to recover costs associated with electric lines facilities projects. This bill permits certain utilities to recover certain distribution system improvement charges. The bill requires an electricity supplier to: (1) supply a certain percentage of its total electricity supply from renewable energy resources; and (2) include certain information concerning energy sources in customers' bills. The bill also establishes the Renewable Energy Resources Fund. This bill requires an electricity supplier that fails to supply electricity from renewable energy resources to pay a penalty. The bill deposits the penalties in the Fund.

**Effective Date:** Upon passage; July 1, 2007.

**Explanation of State Expenditures:** This bill will increase administrative costs to the Utility Regulatory Commission (IURC).

*Renewable Energy:* The bill requires the IURC to monitor compliance with the standards in the bill for electricity suppliers' use of renewable energy resources. The bill also requires the IURC to publish compliance results on the IURC's website, adopt rules to implement the provisions of the bill, and submit a report to the Legislative Council, not later than April 1, 2013, concerning industry compliance.

The Economic Development Corporation (IEDC) is required to administer the Renewable Energy Resources Fund (RERF) established in the bill. The bill states that the IEDC can use the money in the fund to pay for the expenses in administering the fund. It is anticipated that the IURC can implement the provisions of this

bill through the use of existing staff and resources.

*Rate Adjustments:* The bill also would require the IURC to develop and amend procedures to allow rate adjustments for:

- (1) certain expenditures related to ethanol construction projects; and
- (2) costs associated with electric lines facilities projects.

It is anticipated that the IURC can implement the provisions of this bill through the use of existing staff and resources.

By allowing rate adjustments for certain utilities and projects this bill will impact any state or local unit of government which purchases utility service from a facility allowed to adjust rates under this bill. The amount of the increase in costs is indeterminable, and could be offset by the possible increase in Utility Receipts Tax (URT) and Utility Services Use Tax collections (USUT) from the increase in receipts by utilities increasing rates.

*Background:* The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana.

**Explanation of State Revenues:** *Renewable Energy:* This bill creates the Renewable Energy Resources Fund for the purpose of supporting the development, construction, and utilization of renewable energy resources in Indiana. The bill requires that all penalties imposed on electricity suppliers for noncompliance with the renewable energy standards shall be deposited in the fund.

The bill requires that each electricity supplier supply electricity generated by renewable energy resources to Indiana customers as a percentage of the total electricity supplied by the electricity supplier to Indiana customers as follows:

- (1) In 2009, at least 1.5%.
- (2) In 2010, at least 3%.
- (3) In 2011, at least 4%.
- (4) In 2012, at least 5%.
- (5) In 2013, at least 6%.
- (6) In 2014, at least 7%.
- (7) In 2015, at least 8%.
- (8) In 2016, at least 9%.
- (9) In 2017 and thereafter, at least 10%.

The measurement for these percentages is megawatt hours.

The IURC estimates that less than 1% of all electricity supplied to Indiana customers is generated by renewable energy resources.

The bill further requires that a certain percentage of the renewable energy resources supplied must come from solar cells and panels. This bill also requires that ALL of the renewable energy resources must be generated in an Indiana facility, or an area adjacent to Indiana which is designated a serious or severe ozone nonattainment area by the U.S. Environmental Protection Agency.

The bill states that if an electricity supplier does not meet these standards, the supplier must pay a penalty

equal to the number of megawatt hours that failed to comply multiplied by \$50. The IURC can waive these requirements for an electricity supplier if the IURC determines that the renewable energy resources were not available in sufficient quantities to allow compliance. If the IURC makes this determination at a public hearing as required by the bill, the IURC must reduce the suppliers' compliance standards accordingly.

As used in the bill, "electricity supplier" means a public utility that furnishes retail electric service to the public.

*Rate Adjustments:* By allowing rate adjustments for more facilities to recover costs this bill could increase URT and USUT collections. Any increase in collections will ultimately be determined by the increase in receipts for a utility that is permitted the IURC to adjust their rates for cost recover under the bill.

**Explanation of Local Expenditures:** *Rate Adjustments:* By allowing rate adjustments for certain utilities and projects this bill will impact any state or local unit of government which purchases utility service from a facility allowed to adjust rates under this bill. The amount of the increase in costs is indeterminable, and could be offset by the possible increase in Utility Receipts Tax (URT) and Utility Services Use Tax collections (USUT) from the increase in receipts by utilities increasing rates.

**Explanation of Local Revenues:**

**State Agencies Affected:** All; Utility Regulatory Commission; Indiana Economic Development Corporation.

**Local Agencies Affected:** All; Municipally owned electric utilities.

**Information Sources:**

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